

## **2015 BUDGET SUBCOMMITTEE QUESTIONS**

### **PROGRAM PERFORMANCE**

- a. Do you have defined outcomes or measurements for your program(s)? What are they and are these measures listed somewhere so the public can see them?

**Answer:**

Yes. We prepare a Performance Report annually and post the reports on our website. Our most recent Performance Report is available here:

<http://www.idob.state.ia.us/bank/docs/annrpt/Performance%20Report.pdf> Prior years' versions of this report are available on the Department of Management website at: <http://www.resultsiowa.org/comban.html>

- b. What data is available to show Iowans that your program(s) are an effective investment of taxpayer dollars? Where can Iowans find this data?

**Answer:**

Our Performance Reports provide this information and are available on our website and the DOM website, as described above.

The Banking Division is funded entirely by the entities and individuals we regulate, not by general fund tax dollars. Iowa state chartered banks provide the majority of the Division's funding. We ask banks to complete a survey after each examination conducted by the Division to assess how we are doing. If any of the survey results are negative, we personally follow up with the banker who provided the negative response. Fortunately, results of these surveys indicate bankers believe the Division provides a good product and that the banks benefit from the expertise of our staff conducting the examinations.

The Superintendent of Banking generally covers the cumulative survey results with the industry every year at the Day with the Superintendent. Presentations from the Day with the Superintendent are posted on our website. Here is a link to the presentation at the 2014 Day with the Superintendent that contained this data for the previous year: <http://www.idob.state.ia.us/share/2014/PPT/5%20-%20Closing%20Comments%20-%20Jim%20Schipper.pdf> (The relevant data is on slide 2 of this presentation.) Data presented during the 2014 presentation is consistent with the data from prior years.

Our Annual Reports are available on our website at <http://www.idob.state.ia.us/bank/docs/annrpt/annrpt.html>

- c. Can you provide the committee with performance data for your programs over the last 5 or 10 years?

**Answer:** The post examination survey results (discussed above) for the past few years:

| Year | Average |
|------|---------|
| 2014 | 1.43    |
| 2013 | 1.47    |
| 2012 | 1.42    |
| 2011 | 1.56    |
| 2010 | 1.43    |
| 2009 | 1.54    |

(Scoring on a scale of 1 – 5 with 1 being the best, 5 the worst)

#### **PROGRAM EFFICIENCY**

- a. Have you examined what other states are doing to improve performance and reduce costs?

**Answer:** The Division is actively involved in the Conference of State Bank Supervisors (“CSBS”). CSBS has a Performance Standards Committee (“PSC”) that continually identifies, reviews, and updates best practices for financial regulation. In addition, the PSC reviews the accreditation reports for other states. The Division has had a representative serving on that committee for the past several years, giving us access to up to date information on what other states are doing to be effective financial regulators. The Division’s bank bureau and mortgage licensing have also been accredited by CSBS, with each being an early participant in their respective accreditation programs. The CSBS accreditation process assesses how well the Division meets the best practices established by the Performance Standards Committee. We are pleased to report that we have scored extremely well on our most recent (and previous) accreditation reviews, confirming our performance compares very favorably to other states.

We have participated in many other CSBS committees and initiatives that give us an opportunity to stay up on the latest trends in effective financial regulation. Some examples include, the State Supervisory Processes Committee, the State Examiner Review Team, the NMLS Advisory Committee, the Mortgage Testing and Education Board, and the SRR Lawyers Committee. We have also had staff serve on the board of directors of CSBS, of CSBS’s Education Foundation, and of AARMR (the American Association of Residential Mortgage Regulators.)

- b. Can you share with the committee what other states are doing?

**Answer:** One of the most significant issues financial regulators (as well as the financial providers we supervise) face today is recruiting and retention of well-qualified staff, particularly as baby-boomers retire. As a result, the states, through CSBS are working on a project to help states compare compensation and compensation practices amongst the state financial regulators.

The state financial regulators are working with the FDIC on a major technology modernization initiative which will replace some electronic bank examination tools currently used by both state and federal financial regulators. We have been active in this project, including participating in User Acceptance Testing and will implement the new technology once it is available. At this point, we already heavily utilize technology to leverage our staff time, and we do not expect the new technology to allow us to reduce the time we spend on exams.

- c. Which of these ideas are you considering for implementation here in Iowa?

**Answer:** We plan to review and possibly revise the way our bank examiner job classification is structured in order to more closely mirror classifications used by other states and the FDIC. By statute, we are required to compensate our examiners comparably to the federal bank regulators. We know that our current salary structure does not match up well against the FDIC. We believe the most critical deficit between our salaries and the FDIC's salaries occur with examiners with experience ranging from 2 – 10 years. This has created a significant retention issue for us. As a result, we will be paying close attention to information that may help us determine whether we should break our bank examiner job classification into three separate classifications with the ability to advance once an examiner has demonstrated core job competencies.

- d. Are there websites or organizations we could go to obtain more information on what other states' programs are doing to provide more efficient services?

**Answer:** The Conference of State Bank Supervisors is an organization of our peer state bank regulators. In addition to the Performance Standards Committee, it provides many other services to state financial regulators that help us to effectively and efficiently perform our jobs. CSBS's website contains information about state financial regulatory activity. Its website is <http://www.csbs.org/Pages/default.aspx>. The subcommittee may be interested in a white paper CSBS issued earlier this month regarding the public benefit of state financial regulation. The white paper specifically highlights how state bank supervision supports a strong community banking system, which in turn supports local economic development. The Iowa Division of Banking is highlighted in the report. The white paper may be obtained here:

<http://www.csbs.org/news/csbswhitepapers/Documents/The%20Public%20Benefit%20of%20State%20Financial%20Services%20Regulation.pdf>

- e. Do you have an email address or a comment section on your website where lowans can suggest improvements to your program or agency?

**Answer:** Our website has a contact form lowans may use to submit questions, comments, or other information to the Division. The link to that form is:

<http://www.idob.state.ia.us/public/contactInfo/contactForm.aspx>

In addition, the surveys we ask banks to complete after an examination conducted by the Division asks for suggestions for improvements for future examinations.

## **PROGRAM DUPLICATION**

- a. Are there any other programs that are providing the same or similar services?

**Answer:**

(i) We share administrative responsibilities for the Iowa Electronic Transfer of Funds Act with the Iowa Division of Credit Unions.

(ii) We share administrative authority over the Iowa Consume Credit Code with the Iowa Attorney General and the Iowa Division of Credit Unions.

(iii) We license and regulate real estate closing services companies; and the Iowa Finance Authority's Title Guaranty Division likes to ensure these companies that participate in the Title Guaranty program are complying with appropriate laws and policies.

- b. Is there a reason why we need more than one program providing the same or similar service?

**Answer:** The banking and credit union industries are separately regulated because they are based on different models and have very different statutes.

- c. Have you had any discussions with the other agencies or programs to find ways to maximize the use of the taxpayer's dollars?

**Answer:** We collaborate with the Iowa Finance Authority to avoid duplication of efforts between our examinations of real estate closing services firms and their audits of real estate closing services firms that use IFA's Title Guaranty program. We sought and obtained a legislative change to permit us to share our examination reports regarding real estate closing services firms that participate in the Title Guaranty program with IFA's Title Guaranty Division. As a result, we now share our reports with them so they do not have to conduct their own audit.

- d. Are there any laws or administrative rules that would limit your ability to work with the other programs or departments?

**Answer:** The Division operates under strict confidentiality provisions, making it difficult to share information with other programs or departments. However, with the exception of the real estate closing services regulation discussed in the previous program, there really isn't much overlap between the Division and other agencies' programs.

- e. Are there any laws or administrative rules that could be changed to make your program or agency work better?

**Answer:** We are considering possible changes to our processes for approving bank applications in order to reduce the amount of time we spend considering and processing such applications. Some of those changes can be obtained without changes to statute or administrative rule. Others may require changes, such as removing provisions for publishing notice that a bank wants to open a new branch office.

#### **OTHER**

- a. Would it be a burden to your agency to ask that your presentations be delivered to the Legislative Services Agency 48 hours in advance of your appearance before the committee?

**Answer:** We always attempt to do our best to accommodate the legislature's needs, but we are often working to prepare materials for presentations on short notice and frequently make last minute changes to the presentation.

- b. If you are required to reduce your budget by 1%, 5%, or 10%, where would you suggest we focus our attention?

**Answer:** Our budget is broken into three parts. The bank and finance bureaus are funded with one line item appropriation from the Commerce Department Revolving Fund. The funds supporting these bureaus come entirely from the entities we regulate. The professional licensing bureau receives two appropriation line items. One is a small amount from the Housing Trust Fund, which is funded by interest paid on real estate brokers' trust accounts. The other PLB appropriation is a general fund appropriation, most recently in the amount of \$601,537. The licensed individuals pay annual licensing fees that are deposited in the general fund. This appropriation returns 50% of the licensing fees paid to the general fund.

If the appropriation from the Commerce Department Revolving Fund were cut, we would not be able to meet our bank examination schedule. There are not good ways to cut parts of the bank examination without negatively impacting the banks. For example, if we were to discontinue conducting Bank Secrecy Act examinations as part of our bank exams, the federal regulators would not accept our exams. This would mean we would no longer be able to rotate exams with the federal regulators and each bank would get examined two times during each examination cycle (once by us and once by the bank's primary federal regulator) rather than only once.